

Message Text

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ORIGIN EA-14

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 OMB-01 SWF-02 AGR-20 NSC-07 SS-20

STR-08 CEA-02 /168 R

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

INFO AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY THE HAGUE

AMEMBASSY WELLINGTON

C O N F I D E N T I A L STATE 082963

E.O. 11652: GDS

TAGS: EAID, JA, ID

SUBJECT: AID LEVELS TO INDONESIA

REF: A. TOKYO 5219

B. STATE 79366

1. FYI: WE WANT TO BE AS FORTHCOMING AS POSSIBLE WITH JAPANESE, YET IT IS IMPORTANT IN TERMS OF OUR RELATIONS WITH GOI THAT WE NOT RPT NOT BE SEEN TO GIVE GOJ AND OTHER IGGI MEMBER GOVERNMENTS PRETEXT TO REDUCE AID THEY HAVE PLEDGED OR ARE INTENDING TO PLEDGE. GOI IS WORRIED THAT THIS WILL HAPPEN, AND FONMIN MALIK RECENTLY EXPRESSED HIS
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GOVERNMENT'S CONCERN ON THIS POINT TO THE SECRETARY. END

FYI

2. ACCORDINGLY, WE SUGGEST EMBASSY RESPOND TO MIKANAGI
ALONG FOLLOWING LINES:

(A) IN TALKS WITH US GOI HAS INDICATED IT WILL
NOT RPT NOT REDUCE ITS AID REQUEST OF 850 MILLION DOLS.
THIS POSITION SEEMS "VERY FIRM".

(B) WE RECOGNIZE THAT INDONESIAN FINANCIAL SITUATION
SIGNIFICANTLY CHANGED SINCE IGGI ENDORSED 850 MILLION
DOLS AID REQUEST. WE BELIEVE RECENT IBRD INTERIM
REPORT IN GENERAL ACCURATELY REFLECTS THE NEW SITUA-

TION. (FYI: ALTHOUGH REPORT TAKES NOTE OF CHANGES
IN INDONESIAN FINANCIAL OUTLOOK, IT AVOIDS MAKING
JUDGMENT ON CONTINUING VALIDITY OF 850 MILLION
DOLS AID REQUEST. END FYI).

(C) WE UNDERSTAND DUTCH (AS IGGI CHAIRMAN) ARE
WORKING WITH GOI AND OTHER DONORS TO DEVISE BEST
FORMULA FOR MEETING GOI NEEDS AND PRESERVING IGGI
IN NEW SITUATION. QUESTION OF AID REQUEST, ITS
COMPOSITION AS WELL AS ITS SIZE, IS THUS UNDER
REVIEW (REF B) AND WE DO NOT WANT TO ANTICIPATE
DUTCH/INDONESIAN CONCLUSIONS.

(D) U.S. VIEWS 850 MILLION DOLS REQUIREMENT AS
UNREALISTIC ON BALANCE OF PAYMENTS GROUNDS BUT
BELIEVES THAT DESPITE OIL REVENUES, INDONESIA
IS STILL POOR AND WILL NEED FOREIGN ASSISTANCE,
ESPECIALLY PROJECT ASSISTANCE FOR MANY YEARS.
ACTUAL LEVELS REQUIRED WILL DEPEND LARGELY ON
INDONESIA'S ABSORPTIVE CAPACITY, I.E. ABILITY TO
MANAGE PROJECT ASSISTANCE INPUTS. WE WOULD URGE
ALL DONORS TO MAXIMIZE PROJECT ASSISTANCE TO THE
EXTENT THAT SOUND PROJECTS CAN BE DEVELOPED.
SOMETHING LIKE 850 MILLION DOLS MAY NOT BE UNREASON-
ABLE IN THESE TERMS.

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(E) THE U.S. IS CONCERNED PRIMARILY WITH MAXIMIZING
EFFECTIVE SUPPORT FOR STRONG, CONTINUED FOREIGN
ASSISTANCE TO INDONESIA. THEREFORE, WE WILL NEITHER
EXPLICITLY ENDORSE NOR CHALLENGE THE TARGET FIGURE
AT IGGI 16. KISSINGER

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